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1 April 1956

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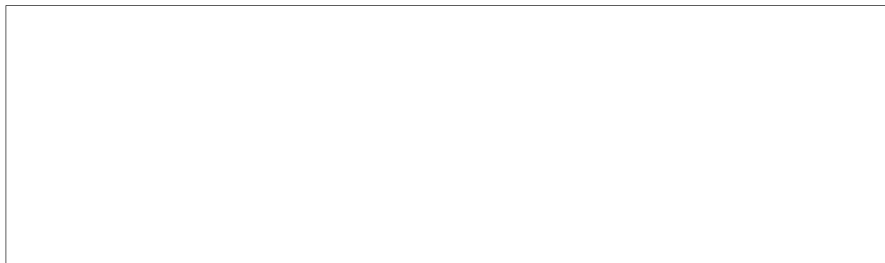
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## 1. MIKOYAN DISCUSSES SOVIET ECONOMIC PROBLEMS

In talks with Indian planning officials and press representatives, Soviet first deputy premier Mikoyan is reported to have discussed Soviet economic problems and offered objective advice on Indian problems.

In discussing agriculture, Mikoyan stressed the post-1953 Soviet policy of providing higher incomes for farmers. He advised the Indians against heavy mechanization of agriculture, hitherto a cardinal point in Soviet farm policy, because of India's large surplus of manpower.


Mikoyan said the minimum wage for urban workers would be raised this year by nearly one third, confirming indications that the coming wage reform will attempt to reduce the extreme spread of the present system, as well as to sharpen its incentive features. Assistance to the lowest-income group is particularly necessary at this time, when the practice of annual retail price cuts has given way to unpublicized increases in state prices of a number of goods.

In disclaiming Soviet perfection and denying that Soviet methods are universally applicable, Mikoyan appears to have impressed his hearers with his frankness, his avoidance of dogma and the USSR's willingness to grant that there are "many roads to socialism." (Concurred in by ORR)

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## 2. CAMBODIAN CROWN PRINCE'S POWER SEEN THREATENED

 Dap Chhuon, a powerful provincial commander in Cambodia, in a confidential letter, informed Ambassador McClintock he was "awaiting a favorable opportunity to frustrate the policy" of the present Cambodian government and "declare a diplomatic rupture with Communist countries."

McClintock, who describes Chhuon as a key figure in Cambodia, comments that he regards the letter as evidence that Sihanouk's power is being seriously threatened for the first time. The ambassador says there is other evidence that, for varying reasons, certain party stalwarts are now challenging Sihanouk.

### Comment

Dap Chhuon, who led a rebel force when the French were in control, is now a colonel in the royal army and controls the palace guard. He has a reputation for both ruthlessness and probity and has hitherto been regarded as devoted to Sihanouk and the royal family.

The explanation given for Sihanouk's most recent resignation from the premiership, which referred to pressures from Thailand, South Vietnam and the United States, was apparently designed to rally support for his neutralism. He is believed to have widespread popular support but has probably alienated some powerful politicians--not only by his neutralism but by his one-man rule and political maneuvering.

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### 3. GREEK OPPOSITION SEEKS ALL-PARTY GOVERNMENT

The new Greek parliament which convenes on 2 April will probably bog down immediately in a dispute over whether Prime Minister Karamanlis should form an all-party government to demonstrate national solidarity on the Cyprus issue. Karamanlis reportedly has invited only Sophocles Venizelos' Liberal Democratic Union, the largest opposition party, to participate with his National Radical Union in the government, but Venizelos has declined on the ground that all parties should be invited.

Venizelos is reported, however, to be impressed by the attitude of the Communists, who appear ready to accept almost any terms for parliamentary co-operation with the center parties. Spokesmen for the Communist-front EDA, which has 18 deputies and perhaps 26 leftist allies in the 300-seat parliament, have offered to adopt "a most reasonable and moderate" program,


A refusal by Karamanlis to widen his present government is likely to bring about united opposition from the center and the left and persistent efforts to whittle away his parliamentary margin of 30 seats.

The parliamentary session is also likely to degenerate quickly into demagogic competition for primacy in devotion to the cause of Cyprus, thereby inviting strong reactions from Britain and Turkey.

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#### 4. BRITAIN PREPARED TO GIVE SINGAPORE QUALIFIED SELF-GOVERNMENT

 The British Colonial Office has indicated that in the negotiations beginning 23 April Britain will concede as much as possible to Singapore chief minister Marshall's

expected demand for virtual independence within the Commonwealth without prejudicing essential British strategic requirements.

According to the American embassy in London, Britain will insist that the Singapore governor have continued access to local security information and have unqualified authority to "step in" whenever he believes the situation warrants. Britain will also insist on retaining control of defense and foreign relations. On the other hand, the British would, if necessary, agree to a fully elective executive council and an enlarged legislative council, so Marshall can return home with what he can call "self-government."

In any event the British feel they cannot withdraw completely from Singapore, for fear that the colony would almost automatically become a Communist outpost.

#### Comment

Britain's immediate concern is apparently to avoid a collapse of the forthcoming negotiations that might force the reimposition of direct British rule in Singapore. The British are likely to have difficulty, however, in persuading Marshall that their proposals are not a retreat from their previous moral commitment to him to grant Singapore complete self-government in 1956.

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## 5. EAST GERMANY OFFERS AUSTRIAN INDUSTRY ROLE IN CHINA CONTRACTS

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Five Austrian industrialists and businessmen, visiting Leipzig on 27 February, received proposals from East German officials that Austria assist East Germany in fulfilling large industrial contracts, mainly with Communist China. [REDACTED] the East Germans said their country could not spare enough industrial capacity to produce all the goods on order. The Austrians said they would check with government officials. One of the businessmen reportedly feels the proposed orders would guarantee a high level of Austrian industrial activity for some years.

The East Germans made clear that Austrian deliveries would be handled through Austro-East German clearing facilities. East Germany's orders reportedly include complete power, chemical, iron and steel, and other plants, electrical goods, power lines, and mining equipment.

Comment                      Many Austrian businessmen have looked forward to an expansion of Orbit trade. While the Austrian government is sympathetic, it has declared its intention to continue COCOM controls. (Concurred in by ORR)

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## THE ARAB-ISRAELI SITUATION

(Information as of 1700, - 1 April)

Egypt has called for an urgent meeting of the Egyptian-Israeli Mixed Armistice Commission over a charge that an Israeli patrol killed two Arabs and captured an Arab child in the Gaza area. Israel claims that Jordanian infiltrators ambushed a police car and wounded a civilian. (Press)

The American ambassador in Israel believes the position of the leftist coalition party members on seeking arms from the USSR has been seriously undermined by a recent Izvestia article mentioning "war hysteria in Israel" and "open threats" of Israeli leaders to initiate military operations against the Arabs.

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arrangements are being made for the return to the Soviet bloc of most of the bloc's MIG-15 and YAK experts and technicians. As in the case of the 45 IL-28's, this suggests that all of the 80 MIG-15 jet fighters and 25 YAK training planes initially ordered by Egypt have been delivered and assembled. Egypt is, however, negotiating for at least 40 more MIG's and 20 more jet bomber aircraft as part of its "extended" requirements for Soviet bloc military equipment.

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the Syrian battalion opposite the site of the Israeli Jordan River diversion operations has standing orders to fire on anyone entering the demilitarized zone in its sector. In addition, it has specific instructions to open fire if Israel resumes work on the diversion canal at Banat Yacov bridge in the zone.

Syrian prime minister Ghazzi told Ambassador Moose on 28 March that Syria would consider it had been

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attacked if Israel resumed work on the Jordan River diversion canal in defiance of the UN Truce Supervisor's ruling.

The American ambassador in Jordan believes that not only may Jordan soon be lost to the West, but that its entry into the Egyptian-Syrian-Saudi camp can influence the future of Lebanon and as well as Iraq's adherence to the Baghdad pact. The ambassador also suggests that King Hussain may be dethroned by the end of the year.

The Jordanian National Guard has received 1,000 Czech submachine guns from Syria as the first result of the recent border meetings between Jordanian and Syrian military leaders, troops from neighboring Arab countries would be permitted free transit across Jordan in the event of hostilities have not been confirmed.

Recently mobilized Israeli vehicles and personnel may have been dispatched as reinforcements to the Northern Command,

The gradual mobilization in Israel may have brought Israeli forces, including the paramilitary Nahal groups, to approximately 120,000 by the end of March.

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Approximately 19 air crew members are to join Colonel Weizmann, commander of Israel's fighter wing, who is in France in connection with the forthcoming delivery of Mystere jet fighters to Israel,

the two Israeli destroyers purchased from Britain are tentatively scheduled to depart British waters for Israel on 8 June,

The two destroyers purchased from Britain by Egypt are estimated to be as much as three and one half months behind the Israeli ships in completing overhaul.

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